

Maricopa Association of Governments

Request for Proposals for Professional Auditing Services

February 4, 2002



302 North 1st Avenue, Suite 300
Phoenix, Arizona 85003
(602) 254-6300

Maricopa Association of Governments

Request for Proposal

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I. INTRODUCTION

A. General Information

The Maricopa Association of Governments, hereafter called MAG, is requesting proposals from qualified firms of certified public accountants to audit the financial statements of the aforementioned entity for the fiscal year ended June 30, 2002 with the option of auditing MAG's financial statements for each of the four subsequent fiscal years. These audits are to be performed in accordance with generally accepted auditing standards, the standards set forth for financial audits in the U.S. General Accounting Office's (GAO) Government Auditing Standards (1994 Revision), the provisions of the federal Single Audit Act of 1984 and U.S. Office of Management and Budget (OMB) Circular (A-133) Audits of States, Local Governments, and Non-Profit Organizations.

There is no expressed or implied obligation for MAG to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

To be considered, four (4) copies of a proposal must be received by **Mr. James M. Bourey, Executive Director, Maricopa Association of Governments, 302 North First Avenue, Suite 300, Phoenix, Arizona 85003 by 5:00 p.m. on Monday, February 25, 2002.** MAG reserves the right to reject any or all proposals submitted. Proposals submitted will be evaluated by a four-member Audit Selection Committee.

AUDIT SELECTION COMMITTEE

NAME	TITLE	ORGANIZATIONS
Rebecca Kimbrough	Fiscal Services Manager	Maricopa Association of Governments
Dennis Smith	Assistant Director	Maricopa Association of Governments
John Wenderski	Management Services Director	City of Peoria
Cynthia Sneed	Finance Manager	City of Chandler

During the evaluation process, the Audit Selection Committee and MAG reserve the right, where it may serve MAG's best interest, to request additional information or clarifications from proposers, or to allow corrections of errors or omissions. At the discretion of the Executive Director or the Audit Selection Committee, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

MAG reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposals, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between MAG and the firm selected.

It is anticipated that the selection of a firm will be completed by Thursday, April 25, 2002. Following the notification of the selected firm, it is expected that a contract will be executed between both parties by no later than May 1, 2002.

B. Term of Engagement

A five-year contract with MAG is contemplated, subject to the annual review and recommendation of the Executive Director and the satisfactory negotiation of terms (including a price acceptable to MAG).

C. Subcontracting

The auditor shall not assign or subcontract any part of this work without the prior written approval of the Executive Director.

II. NATURE OF SERVICES REQUIRED

A. General

MAG is soliciting the services of qualified firms of certified public accountants to audit the financial statements for the fiscal year ending June 30, 2002. For the four (4) subsequent fiscal years after June 30, 2002, the option to audit the financial statements of MAG would rest solely with the Executive Director. This audit is to be performed in accordance with the provisions contained in this request for proposal.

B. Scope of Work to be Performed

MAG desires the auditor to express an opinion on the fair presentation of the General Purpose Financial Statements in conformity with generally accepted accounting principles (GAAP).

Additionally, the auditor is not required to audit the combining and individual fund and account group financial statements and supporting schedules. However, the auditor is to provide an "in-relation-to" report on the combining and individual fund financial statements and supporting schedules based on the auditing procedures applied during the audit of the general purpose financial statements. The auditor is not required to audit the statistical section of the report.

The auditor shall also be responsible for performing certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards (GAAS).

The auditor is not required to audit the Schedule of Federal Financial Assistance. However, the auditor is to provide an “in-relation-to” report on that schedule based on the auditing procedures applied during the audit of the financial statements.

The auditor is required to prepare a Single Audit in accordance with generally accepted government auditing standards (GAGAS).

The auditor is required to review MAG’s Federal Form 990, *Return of Organizations Exempt from Income Tax* and the State of Arizona Form 99, *Arizona Exempt Organizations Annual Information Return*.

C. Auditing Standards to be Followed

To meet the requirements of this request for proposal, the audit shall be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, the standards for financial audits set forth in the U.S. General Accounting Office’s Government Accounting Standards (1994 Revision), the provisions of the Single Audit Act of 1984 and the provisions of U.S. Office of Management and Budget (OMB) Circular (A-133) Audits of States, Local Governments, and Non-Profit Organizations.

D. Reports to be Issued

Following the completion of the audit of the fiscal year’s financial statements, the auditor shall issue:

1. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles.
2. A report on the internal control structure based on the auditor’s understanding of the control structure and assessment of control risk.
3. A report on compliance with applicable laws and regulations.
4. An “in-relation-to” report on the Schedule of Federal Financial Assistance.
5. A report on the internal control structure used in administering federal financial assistance programs.
6. A report on compliance with laws and regulations related to major and non-major

federal financial assistance programs. This report should include an opinion on compliance with specific requirements applicable to major federal financial assistance programs, a report on compliance with general requirements applicable to major federal financial assistance programs, and a report on compliance with laws and regulations applicable to non-major financial assistance program transactions tested.

In the required report(s) on internal controls, the auditor shall communicate in writing any reportable conditions found during the audit. A reportable condition shall be defined as:

A significant deficiency in the design or operation of the internal control structure, which could adversely affect an entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

For additional information regarding internal controls and reportable conditions, the proposer should see the audit reports for MAG for the year ending June 30, 2001.

Reportable conditions that are also material weaknesses shall be identified as such on the report.

A material weakness shall be defined as:

A reportable condition in which the design or operation of the specific internal control structure elements do not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Non-reportable conditions discovered by the auditors shall be reported in a separate letter under a separate cover to the Executive Director which shall be referred to in the report(s) on internal controls.

The reports on compliance shall include all instances of noncompliance.

Irregularities and illegal acts. Auditors shall be required to make an immediate, written report of all irregularities and illegal acts, or indications of illegal acts, of which they become aware to the following parties in the order listed below:

1. Executive Director of MAG
2. MAG Regional Council
3. U.S. Department of Transportation Federal Highway Administration (FHWA)

Reporting to the Executive Director of MAG. Auditors shall assure themselves that

the Executive Director is informed of each of the following:

1. The auditors responsibility under generally accepted auditing standards.
2. Significant accounting policies.
3. Management judgments and accounting estimates.
4. Significant audit adjustments.
5. Other information in documents containing audited financial statements.
6. Disagreements with management.
7. Management consultation with other accountants.
8. Major issues discussed with management prior to retention.
9. Difficulties encountered in performing the audit.

E. Special Considerations

1. MAG anticipates it will send its comprehensive annual financial report to the Government Finance Officers Association of the United States and Canada for review in its Certificate of Achievement for Excellence in Financial Reporting program. It is anticipated that the auditor will be required to provide special assistance to MAG to meet the requirements of the program.
2. MAG has determined that the U.S. Department of Transportation Federal Highway Administration will function as the cognizant agency in accordance with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget (OMB) Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations.
3. The MAG Schedule of Federal Financial Assistance and related auditor's report, as well as the reports on the internal control structure and compliance, are to be issued as part of the comprehensive annual financial report.
4. Governmental Accounting Standards Board (GASB) Statement No. 34, Statement No. 37 and Statement No. 38 will be effective for the first time at MAG for the fiscal period ending 6/30/2003. These GASB statements require accrual accounting for all government activities and all capital assets are generally required to be depreciated. Additional supplementary information, such as the Management's Discussion and Analysis (MD&A), will be required. We believe the underlying accounting records at MAG are adequate, however, we have not yet produced this data and anticipate the possible need for special assistance from the auditor.

F. Working Papers Retention and Access to Working Papers

All working papers and reports must be retained, at the auditor's expense, for a minimum of five (5) years, unless the firm is notified in writing by MAG of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to the following parties or their designees:

1. Representative from MAG
2. U.S. Department of Transportation Federal Highway Administration (FHWA)
3. U.S. General Accounting Office (GAO)
4. Parties designated by the federal or state governments or by MAG as part of an audit quality review process.
5. Auditors of entities of which MAG is a sub-recipient of grant funds.

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

III. DESCRIPTION OF THE ORGANIZATION

- A. Name and Telephone Number of Contact Person/Organizational Chart. The auditor's principal contact for MAG is as follows:

Principal Contact	Title	Address/Phone No
Rebecca A. Kimbrough, CPA	Fiscal Services Manager	302 North 1 st Avenue Suite 200 Phoenix, AZ 85003 (602) 254-6300

See organizational chart (Appendix A).

- B. Background Information

Maricopa Association of Governments

Maricopa Association of Governments (MAG) is a Council of Governments (COG) incorporated in 1967 as a nonprofit corporation to coordinate the activities of separate member governments within Maricopa County (the County) with respect to issues affecting its member agencies. Member governments include the County, all of the incorporated cities and towns located in the County, the Gila River Indian Community and the Salt River Pima Maricopa Indian Community. MAG is governed by a Regional Council consisting of elected representatives from each of the member governments.

MAG is exempt from federal income taxes under Section 501 (c) (4) of the Internal Revenue Code.

On December 14, 1973, the Governor designated MAG as the Metropolitan Planning Organization (MPO) for the Maricopa County region. This designation was to comply with the requirements of the 1973 Federal Transportation Act which required each urbanized area to establish an MPO. The Governor's office has also designated MAG to serve as the principal planning agency for the region in a number of other areas including: air quality, water quality and solid waste management. In addition, through an Executive Order from the Governor, MAG is responsible for developing population estimates and projections for the region.

From MAG's incorporation in 1967 until June 30, 1996, the employees of MAG were under the direction of the Executive Director of the League of Arizona Cities and Towns (League). On July 1, 1996 an interim Executive Director of MAG was appointed until the recruitment and selection of an Executive Director was completed in early 1997. On January 21, 1997 an Executive Director was hired to manage MAG and to plan for its complete separation from the League effective July 1, 1997. Starting July 1, 1997, the MAG offices and staff moved to a separate location and are no longer affiliated with the League.

C. Fund Structure

Fund Type/Account Group	Number of Individual Funds	Budget Annually Adopted by the Governing Body
General fund	1	Yes
Special Revenue funds	24-27	Yes
Pension Trust funds	2	N/A
General fixed assets account group	1	N/A

D. Bases of Accounting and Budgeting

MAG's basis of accounting is on a modified accrual basis and its basis for budgeting is on a cash basis.

E. Federal and State Financial Assistance

MAG receives financial assistance. Schedule of federal and state financial assistance is prepared by Fiscal Services staff.

F. Pension Plans

MAG participates in the following pension plans:

Plan	Administrator
Defined Contribution	ICMA Retirement Corp - Executive Director Plan
Defined Contribution	ICMA Retirement Corp - Employee Plan

Both MAG plans were established February 26, 1997.

G. Magnitude of Finance Operations

Employee	Title	Principal Functions
Rebecca A. Kimbrough ,CPA* (602) 254-6300	Fiscal Services Manager	Review and supervision of fiscal services staff, assignments, cash management, internal controls, audit liaison, accounting and budgeting
Shawn Krill	Accountant II	General accounting functions
Dorothy Gillette	Accountant I	Accounts payable and payroll
Vacant	Budget and Grants Analyst	Budgeting and grants management

*** Indicates Department Head**

H. Computer Systems

Major Applications	Vendor
Accounting files and backup	Axium Protrax
Cash receipts log	Quicken
Purchase Order Forms	Paradox
Fixed Assets	GFAMS

Operating System	Network	Network Protocol
Windows 2000	Windows NT	TCP/IP

I. Availability of Prior Audit Reports and Working Papers

Interested proposers who wish to review prior years' audit reports and management letters should contact the Executive Director. MAG will make its best effort to provide prior audit reports and make supporting work papers available to proposers to aid in their response to this request for proposals.

IV. TIME REQUIREMENTS

A. Proposal Calendar

The following is a list of key dates:

Proposal due date: Monday, February 25, 2002 by 5:00 p.m.

Selected firm notified: Thursday, April 25, 2002

Contract date: Wednesday, May 1, 2002

B. Date Audit May Commence

The internal control structure review should begin no later than June 15 of each year.

C. June 30 Fiscal Year Financial Audit Schedule

Each of the following shall be completed by the auditor no later than the dates indicated.

1. Detailed Audit Plan

The auditor shall provide MAG with a detailed audit plan and list of all schedules to be prepared by June 1 of each year.

2. Fieldwork

The auditor shall complete all fieldwork by September 15 of each year.

3. Draft Reports

a. The auditor shall have an initial draft of the financial statements, notes, all required supplemental schedules and recommendations to the Executive Director by October 7 of each year.

b. The auditor shall have a revised draft of the financial statements, notes, all required supplemental schedules and recommendations to the Executive Director incorporating any of management's comments by October 22 of each year.

D. Entrance Conferences and Entrance Conferences and Progress Reporting

At a minimum, the following conferences should be held by the dates indicated on the schedule:

Entrance conference with the Executive Director and financial department head	Week of August 5
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The purpose of this meeting will be to discuss prior audit problems. This meeting will also be used to establish an overall liaison for the audit and to make arrangements for work space and other needs of the auditor.

Progress conferences with the Executive Director and financial department head are to be held weekly. The purpose of these meetings will be to update management on the progress of the audit, to disclose potential problems and delays in the audit schedule, internal control matters and any other relevant matters.

E. Date Final Report is Due

The Auditors shall prepare the final draft financial statements, notes, all required supplementary schedules and recommendations by October 22 of each year.

The financial staff and the Executive Director will complete their review of the final draft report as expeditiously as possible. It is expected that this process should be completed by October 28 of each year. During the period, the auditor should be available for any meetings that may be necessary to discuss the audit reports. Once all issues for discussion are resolved, the final signed report shall be delivered to the Executive Director within ten (10) working days. It is anticipated that this process will be completed and the final report delivered by November 11 of each year.

The final reports and signed copies should be delivered to the attention of the Executive Director by November 11 of each year. MAG will need 150 copies of the final report.

V. ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION

A. Finance Personnel and Clerical Assistance

The financial staff and management personnel will be available during the audit to assist the firm by providing information, documentation and explanations. The preparation of confirmations will be the responsibility of MAG. In addition, twenty (20) hours of clerical support will be made available to the auditors for the preparation of confirmations, routine letters, etc.

B. Electronic Data Processing (EDP) Assistance

EDP personnel will be available to provide systems documentation and explanations.

C. Work Area, Telephones, Photocopying and FAX Machines

MAG will provide the auditor with reasonable work space, desks and chairs. The auditor will also be provided with access to one (1) telephone line, photocopying facilities and FAX machines.

D. Report Preparation

Report preparation, editing and printing shall be the responsibility of the auditor.

VI. PROPOSAL REQUIREMENTS

A. General Requirements

1. Inquiries

Inquiries concerning the request for proposals and the subject of the request for proposals must be made to the Executive Director or Fiscal Services Manager.

CONTACT WITH PERSONNEL OTHER THAN THE EXECUTIVE DIRECTOR OR THE FISCAL SERVICES MANAGER REGARDING THIS REQUEST FOR PROPOSALS MAY BE GROUNDS FOR ELIMINATION FROM THE SELECTION PROCESS.

2. Submission of Proposals

The following materials are required to be received by 5:00 p.m. Monday, February 25, 2002 for a proposing firm to be considered.

3. Four (4) copies of a Technical Proposal to include the following:

a. Title Page

Title page showing the request for proposals' subject; the firm's name; the name, address and telephone number of a contact person; and the date of the proposal.

b. Table of Contents

The Table of Contents should cross-reference the information in the proposal to the requirements of request for proposal.

c. Transmittal Letter

A signed letter of transmittal briefly stating the proposer's understanding of the work to be done, the commitment to perform the work within the time period, a statement why the firm believes itself to be best qualified to perform the engagement and a statement that the proposal is a firm and irrevocable offer for seventy-five (75) days from the date of the transmittal letter.

d. Detailed Proposal

The detailed proposal should follow the order set forth in Section VI. B. of this request for proposals.

e. Executed copies of Proposer's Guarantees and Warranties, attached to this request for proposals (Appendix B).

4. The proposer shall submit four(4) copies of a dollar cost bid outlining the cost in a separate sealed envelope marked as follows:

FIRM NAME
SEALED DOLLAR COST BID
PROPOSAL FOR
MARICOPA ASSOCIATION OF GOVERNMENTS
FOR PROFESSIONAL AUDITING SERVICES
DATA

5. Proposers should send the completed proposal consisting of the two separate envelopes to Mr. James M. Bourey, Executive Director, Maricopa Association of Governments, 302 North First Avenue, Suite 300, Phoenix, Arizona 85003 by 5:00 p.m. Monday, February 25, 2002.

B. Technical Proposal

1. General Requirements

The purpose of the technical proposal is to demonstrate the qualifications, competence and capacity of the firms seeking to undertake an independent audit of MAG in conformity with the requirements of this request for proposals. As such, the substance of proposals will carry more weight than their form or manner of presentation. The technical proposal should demonstrate the qualifications of

the firm and of the particular staff to be assigned to this engagement. It should also specify an audit approach that will meet the request for proposals requirements.

THERE SHOULD BE NO DOLLAR UNITS OR TOTAL COSTS INCLUDED IN THE TECHNICAL PROPOSAL DOCUMENT.

The technical proposal should address all the points outlined in the request for proposals (excluding any cost information which should only be included in the sealed dollar cost bid). The proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities to satisfy the requirements of the request for proposals. While additional data may be presented, the following subjects, items Number 2 through 7 must be included. They represent the criteria against which the proposal will be evaluated.

2. Independence

The firm should provide an affirmative statement that it is independent of MAG as defined by generally accepted auditing standards and the U.S. General Accounting Office's Government Auditing Standards (1994 Revision).

In addition, the firm shall give MAG written notice of any professional relationships entered into during the period of the agreement that may present a potential conflict of interest.

3. License to Practice in the State of Arizona

An affirmative statement should be included indicating that the firm and all assigned key professional staff are properly licensed to practice in the State of Arizona.

4. Firm Qualifications and Experience

The proposal should state the size of the firm, the size of the firm's governmental audit staff, the location of the office from which the work on this engagement is to be performed and the number and nature of the professional staff to be assigned to this engagement on a full-time basis and the number and nature of the staff to be so employed on a part-time basis.

The firm is also required to submit a copy of the report on its most recent external quality control review ("peer review"), with a statement whether that quality review included a view of specific government engagements. Also, indicate whether the most recent peer review included a review of any government audits.

The firm shall also provide information on the results of any federal or state desk reviews or field reviews of its audits during the past three (3) years. In addition, the firm shall provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three (3) years with federal and state regulatory bodies or professional organizations.

5. Partner, Supervisory and Staff Qualifications and Experience

The firm should identify the names of partners, managers, other supervisors and specialists, who would be assigned to the engagements and indicate whether each such person is licensed to practice as a certified public accountant in the State of Arizona. The firm also should provide information on the government auditing experience of each person to be assigned to the engagement, including information on relevant continuing professional education for the past three (3) years and membership(s) in professional organizations relevant to the performance of this audit.

The firm should provide as much information as possible regarding the number, qualifications, experience and training, including relevant governmental accounting and auditing continuing professional education, of the specific staff to be assigned to this engagement. The firm also should indicate how the quality of staff over the term of the agreement will be assured.

Engagement partners, managers, other supervisory staff and specialists may be changed if those personnel leave the firm, are promoted or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of the Executive Director. However, in either case, MAG retains the right to approve or reject replacements.

Consultants and firm specialists mentioned in response to this request for proposals can only be changed with the express prior written permission of the Executive Director who retains the right to approve or reject replacements.

Other audit personnel may be changed at the discretion of the proposer provided that replacements have substantially the same or better qualifications or experience.

6. Similar Engagements with Other Government Entities

For the firm's office that will be assigned responsibility for the audit, list the most significant engagements (maximum five) performed in the last five years that are similar to the engagement described in this request for proposals. These engagements should be ranked on the basis of total staff hours.

Indicate the scope of the work, date, engagement partner and manager, total hours, and the name and telephone number of the principal client contacts.

7. Specific Audit Approach

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in Section II of this request for proposals. In developing the work plan, reference should be made to such sources of information as MAG's budget and related materials, organizational chart, manuals and programs, and financial and other management information systems.

Proposers will be required to provide the following information on their audit approach:

- a. Level of staff and number of hours to be assigned to each proposed segment of the engagement.
- b. Sample sizes and the extent to which statistical sampling is to be used in the engagement.
- c. Extent of use of EDP software in the engagement
- d. Scope and extent of analytical procedures to be used in the engagement.
- e. Approach to be taken to gain and document an understanding of MAG's internal control structure.
- f. Approach to be taken in determining laws and regulations that will be subject and regulations that will be subject to audit test work.
- g. Approach to be taken in drawing audit samples for purposes of tests of compliance.
- h. Approach to performing the Single Audit requirements under OMB Circular A-133.

NO DOLLARS SHOULD BE INCLUDED IN THE TECHNICAL PROPOSAL

C. Sealed Dollar Cost Bid

1. Total All-inclusive Maximum Price

The sealed dollar cost bid should contain all pricing information relative to performing the audit engagement as described in this request for proposals. The

total all-inclusive maximum price to be bid is to contain all direct and indirect costs including all out-of-pocket expenses.

MAG will not be responsible for expenses incurred in preparing and submitting the technical proposal or the sealed dollar cost bid. Such costs should not be included in the proposal.

The first page of the sealed dollar cost bid should include the following information:

- a. Name of Firm
 - b. Certification that the person signing the proposal is entitled to represent the firm, empowered to submit the bid and authorized to sign a contract with MAG.
 - c. A Total All-inclusive Maximum Price for each year of the engagement.
2. Rates by Partner, Specialist, Supervisory and Staff Level Times Hours Anticipated for Each Member of the Engagement Team.

The second page of the sealed dollar cost bid should include a schedule of professional fees and expenses, presented in the format provided in the attachment (Appendix C, part 1), that supports the total all-inclusive maximum price and for each year of the proposed contract (June 30, 2002, June 30, 2003, June 30, 2004, June 30, 2005, June 30, 2006). The cost of special services described in Section II. E. of this request for proposals should be disclosed as separate components of the total all-inclusive maximum price using the format provided in Appendix C, parts 2 and 3.

3. Out-of-Pocket Expenses Included in the Total All-inclusive Maximum Price

All estimated out-of-pocket expenses (e.g., travel, lodging, etc.) to be reimbursed should be presented in the sealed dollar cost bid in the format provided in the attachment (Appendix C). All expense reimbursements will be charged against the total all-inclusive maximum price submitted by the firm.

4. Rates for Additional Professional Services

If it should become necessary for MAG to request the auditor to render any additional services to either supplement the services requested in this request for proposals, or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an addendum to the

contract between the Executive Director and the firm. Any such additional work agreed to between MAG and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the sealed dollar cost bid.

5. Manner of Payment

Progress payments will be made per the payment schedule listed below. Ten percent (10%) will be withheld from each interim billing pending delivery of the firm's final reports.

Payment Trigger	Amounts to be Paid
Completion of the internal controls documentation	25%*
Completion of fieldwork	25%*
Delivery of the final signed audit report to each	50%*
Acceptance of the Final Reports	Withholding Released
* Less 10% withholding	

VII. EVALUATION PROCEDURES

A. Audit Selection Committee

Proposals submitted will be evaluated by a four-member Audit Selection Committee. See section I.A. of the request for proposal for the names of the individuals on the Audit Selection Committee.

B. Review of Proposals

The Audit Selection Committee will use a point formula during the review process to score proposals. Each member of the Audit Selection Committee will first score each technical proposal by each of the criteria described in Section VII C. below. The full Audit Selection Committee will then convene to review and discuss these evaluations and to combine the individual scores to arrive at a composite technical score for each firm. At this point, firms with an unacceptable low technical score will be eliminated from further consideration.

After the composite technical score for each firm has been established, the sealed dollar cost bid will be opened and additional points will be added to the technical score based on the price bid. The maximum score for price will be assigned to the firm offering the lowest total all-inclusive maximum price. Appropriate fractional scores will be assigned to other proposers.

MAG reserves the right to retain all proposals submitted and use any idea in a proposal regardless of whether that proposal is selected.

C. Evaluation Criteria

Proposals will be evaluated using three sets of criteria. Firms meeting the mandatory criteria will have their proposals evaluated and scored for both technical qualifications and price. The following represent the principal selection criteria which will be considered during the evaluation process.

1. Mandatory Elements

- a. The audit firm is independent and licensed to practice in the State of Arizona.
- b. The audit firm's professional personnel have received at least eight (80) hours of continuing professional education (CPE) within the preceding two years. This CPE should include at least 24 hours in government accounting and auditing during the two-year period for all personnel assigned to the audit.
- c. The audit firm's professional personnel has no conflict of interest with regard to any other work performed by the firm for MAG.
- d. The firm submits a copy of its most recent external quality control review report and the firm has a record of quality audit work.
- e. The firm adheres to the instructions in this request for proposals on preparing and submitting the proposal.
- f. The firm has no negative findings resulting from a desk review or field review performed by a federal or state agency.

2. Technical Qualifications (Maximum Points –70)

a. Expertise and Experience (Maximum Points – 40)

1. The firm's experience and performance on comparable government engagements. The experience should be within the last five years (Maximum Points - 10).
2. The quality of the firm's professional personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation (Maximum Points - 10).

3. The firm's experience with Federal and State grants and OMB circular A-133 (Maximum Points - 10).
 4. The firm's experience with cost allocation plans and Federal and State reimbursements (Maximum Points - 5).
 5. The firm's experience with non-profit taxation issues (Maximum Points - 5).
- b. Audit Approach (Maximum Points - 30)
 - c. Adequacy of proposed staffing plan for various segments of the engagement (Maximum Points - 10).
 - d. Adequacy of sampling techniques (Maximum Points - 10).
 - e. Adequacy of analytical procedures (Maximum Points - 10).
3. Price: (Maximum Points - 30)

COST WILL NOT BE THE PRIMARY FACTOR IN THE SELECTION OF AN
AUDIT FIRM

D. Oral Presentations

During the evaluation process, the Audit Selection Committee may, at its discretion, request any or all firms to make oral presentations before final selection. Such presentations will provide firms with an opportunity to answer any questions the Audit Selection Committee may have on a firm's proposal. Not all firms may be asked to make such oral presentations.

E. Final Selection

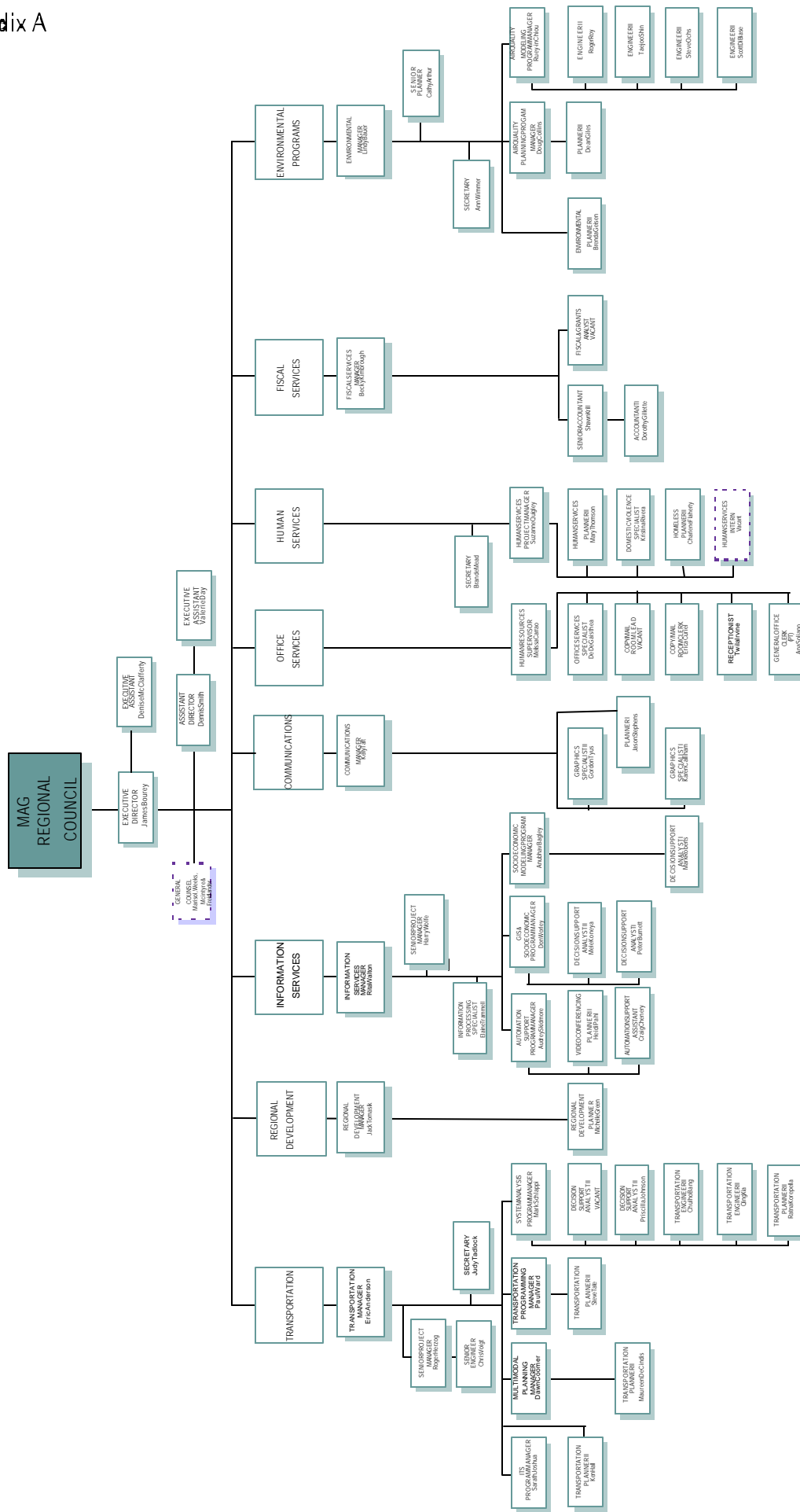
MAG will select a firm based upon the recommendation of the Audit Selection Committee to the Executive Director and ratification by the governing body of MAG.

It is anticipated that a firm will be selected by Thursday, April 25, 2002. Following notification of the firm selected, it is expected that a contract will be executed between both parties by no later than Wednesday, May 1, 2002.

F. Right to Reject Proposals

Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposals unless clearly and specifically noted in the proposal submitted and confirmed in the contract between MAG and the firm selected.

MAG reserves the right without prejudice to reject any or all proposals.



MAG Contract Services

APPENDIX B
PROPOSER'S GUARANTEES AND WARRANTIES

- A. The proposer certifies it can and will provide and make available, at a minimum, all services set forth in Section II, Nature of Services Required.
- B. The proposer warrants that it is willing and able to obtain an errors and omissions insurance policy providing a prudent amount of coverage for the willful or negligent acts, or omissions of any officers, employees or agents there of.
- C. The proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the express prior written permission of the Executive Director.
- D. The proposer warrants that all information provided by it in connection with this proposal is true and accurate.

Signature of Official: _____

Name (typed): _____

Title: _____

Firm: _____

Date: _____

APPENDIX C
Part 1

**SCHEDULE OF PROFESSIONAL FEES AND EXPENSES FOR THE AUDIT OF THE
JUNE 30, 200_ FINANCIAL STATEMENTS:**

**COMBINING SCHEDULE - ALL SERVICES DESCRIBED IN THE REQUEST FOR
PROPOSALS SECTION II. E., ITEMS 1,2, 3 AND 4**

	Hours	Standard Hourly Rates	Quoted Hourly Rates	Total
Partners				
Managers				
Supervisory Staff				
Staff				
Other (specify):				
Subtotal				
Total for services described in Section II of the request for proposals (Detail on subsequent schedules)				
Out-of-pocket expenses: Meals and Lodging Transportation Other (specify): _____				
Total all-inclusive maximum price for June 30, 200_ audit				

Notes:

- (1) The rate quoted should *not* be presented as a general percentage of the standard hourly rate or as a gross deduction from the total all-inclusive maximum price.

Appendix C, Part 1 should be completed for each year of the proposed contract term for MAG.

APPENDIX C

Part 2

**SCHEDULE OF PROFESSIONAL FEES AND EXPENSES FOR THE AUDIT OF THE
JUNE 30, 200_ FINANCIAL STATEMENTS:**

**COMBINING SCHEDULE - ALL SERVICES DESCRIBED IN THE REQUEST FOR
PROPOSALS SECTION II. E., ITEMS 1,2, 3 AND 4**

Nature of Service to be Provided	Schedule	Total Price
		\$
Total		

**EACH SERVICE DESCRIBED IN SECTION II. E., ITEMS 1, 2, 3 AND 4 SHOULD BE
SUPPORTED BY AN INDIVIDUAL SCHEDULE IN THE FORMAT PROVIDED IN PART
3 OF THIS APPENDIX.**

APPENDIX C
Part 3

**SCHEDULE OF PROFESSIONAL FEES AND EXPENSES FOR THE AUDIT OF THE
JUNE 30, 200_ FINANCIAL STATEMENTS:**

SUPPORTING SCHEDULE FOR _____

	Hours	Standard Hourly Rates	Quoted Hourly Rates	Total
Partners				
Managers				
Supervisory Staff				
Staff				
Other (specify):				
Subtotal				
Total for services described in Section II of the request for proposals (Detail on subsequent schedules)				
Out-of-pocket expenses: Meals and Lodging Transportation Other (specify): _____				
Total all-inclusive maximum price for June 30, 200_ audit				

Note: The rate quoted should *not* be presented as a general percentage of the standard hourly rate or as a gross deduction from the total price.